

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

Fair Isaac Corporation, a) File No. 16-cv-1054
Delaware Corporation,) (WMW-DTS)
Plaintiff,)
vs.) Minneapolis, Minnesota
Federal Insurance Company, an) January 11, 2022
Indiana Corporation; and ACE) 1:00 p.m.
American Insurance Company, a)
Pennsylvania Corporation,)
Defendants.)

BEFORE THE HONORABLE DAVID T. SCHULTZ
UNITED STATES DISTRICT COURT MAGISTRATE JUDGE

(MOTION HEARING)

APPEARANCES

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Proceedings recorded by mechanical stenography;
transcript produced by computer.

1 P R O C E E D I N G S

2 IN OPEN COURT

3
4 THE COURT: Okay. Good afternoon, everyone.
5 We're on the record in the matter of FICO v. Federal, Civil
6 Number 16-1054.

7 Counsel for FICO, if you will note your
8 appearances for the record, please.

9 MR. HINDERAKER: Your Honor, Allen Hinderaker from
10 Merchant Gould, and with me is the vice president and
11 associate general counsel of FICO, James Woodward.

12 THE COURT: James, I didn't catch the last name.
13 I'm sorry.

14 MR. WOODWARD: Woodward.

15 THE COURT: Thank you.

16 All right. Counsel for Federal, if you'll note
17 your appearances, please.

18 MR. FLEMING: Good afternoon, Your Honor.
19 Terrance Fleming, Leah Janus, and Christian Hokans of the
20 Fredrikson firm representing the defendants.

21 THE COURT: Very well. Good afternoon to all of
22 you.

23 So just a couple of housekeeping things. What I
24 would ask you to do, first of all, speak from the podium,
25 okay? You can remove your mask to speak from the podium,

1 but we have lost our rolling Plexiglass due to a trial in
2 St. Paul which puts a bunch of judges over here in
3 Minneapolis, which takes my Plexiglass out of the courtroom
4 such as it is. If one counsel is up here addressing the
5 Court, just I would prefer that you then move to the other
6 side of your own Plexiglass, okay? Probably unnecessary,
7 but we should be as safe as we can be. Okay?

8 Okay. With that, Mr. Fleming, it is your motion.
9 Come on up.

10 MR. HINDERAKER: I should go over here?

11 THE COURT: Thank you.

12 MR. HINDERAKER: Can I go here, Your Honor?

13 THE COURT: Yeah, that's fine by me. I just want
14 to make sure that we're appropriately distanced.

15 MR. HOKANS: Your Honor, is it all right if I sit
16 here?

17 THE COURT: Yes. Just do me one other favor,
18 either when you return to counsel table or as you leave the
19 podium, use the hand sanitizer as well, okay?

20 MR. FLEMING: Yes.

21 THE COURT: Okay. Go ahead, Mr. Fleming. I have
22 read everything. I think I have some questions for you, but
23 why don't you go ahead.

24 MR. FLEMING: Thank you, Your Honor. We are
25 moving today to amend the scheduling order to allow us to

1 file a nondispositive motion to preclude FICO from using Luc
2 Marce as a witness and also to exclude the charts that he
3 has prepared. And we're also asking to make a motion for
4 summary judgment to dismiss FICO's remaining copyright
5 claim.

6 This arises out of a deposition that we took in
7 November, 2021, just a couple months ago, of Luc Marce. And
8 you've read the papers. I won't talk about how he happened
9 to be there on that day. But the evening before the
10 deposition, we received Exhibit 15, which is a chart,
11 without any description or anything and there was no
12 explanation from counsel as to what it was. And then the
13 following morning, two hours before the deposition, we got a
14 revised chart, same thing, just a -- the chart with numbers
15 and different terms all over it.

16 And we took Mr. Marce's deposition, and it was
17 quite apparent to me the subject matter was he talked about
18 his background as a software engineer at FICO for many
19 years. And he said that he was asked back in November of
20 2021 to prepare the chart that was provided hours before the
21 deposition by counsel. And the purpose of that was he ran
22 it through a -- he was told to utilize the software source
23 code analysis, a program, that analyzes, you know, 10
24 million lines of the source code for a prior version of
25 Blaze and to compare it with this Version 7.1.

1 And he went on to testify that there was
2 similarity between the two versions of like 95 percent, but
3 over 100,000 lines were not included. And he said that he
4 did simply a quantitative analysis. Certainly, it wasn't
5 what you would call a qualitative or substantive to compare
6 the two versions. It was --

7 THE COURT: Let me interrupt you for a second.
8 I'm looking at Exhibit 14 to the materials you submitted,
9 which I think is the same as what's marked in the materials
10 you submitted as Exhibit 16, except that Exhibit 16 is
11 oriented the wrong way. But I think they are substantially
12 similar.

13 Setting aside the question of the chart, okay,
14 this is -- I mean, you would agree that the information in
15 the chart is factual data; right? I mean, we've got -- so,
16 for example, looking at Reference Version 7.0, next line is
17 Version 7.1, and basically it says, you know, so many lines
18 of code were added, so many were deleted. The common -- the
19 overlapping code is approximately 98 percent. That's all
20 factual data; right?

21 MR. FLEMING: Right, obtained from using a program
22 that compared the two. It is data. And it is data that
23 shows how many lines are in common, how many were added, how
24 many were deleted.

25 THE COURT: Okay. Keep going.

1 MR. FLEMING: So it was clear to me that this was
2 classic expert testimony. If there had been a determination
3 by FICO at the outset of this case to identify Mr. Marce as
4 an expert, it would have been no different. It would have
5 the same background. He would have provided the same
6 analysis of the quantitative similarity of the two. He also
7 would have provided a report, and he would have provided us
8 with an opportunity to have our own rebuttal expert if we so
9 determined. But it is not lay testimony by any means. It
10 isn't something that he does in the regular course of his
11 business as a software engineer at FICO. Rather, he was
12 directed by counsel to conduct this analysis using this
13 program.

14 So, I mean, he was conducting a test that he
15 doesn't do in the ordinary course of his business for the
16 purpose of providing this information at trial.

17 THE COURT: How is this not -- hang on one second.
18 How is this not -- if you were going to -- let's say you're
19 ready for trial, you're exchanging exhibits, and FICO prints
20 off and numbers the software code for each of the referenced
21 versions as, boom, we're putting these in as exhibits. So
22 far so good. And then they say, this chart, Exhibit -- I'm
23 referring to what's marked as Exhibit 14 and Exhibit 609,
24 which is a depo exhibit number -- this chart, Exhibit 14 or
25 609, is just a Rule 1006 summary of voluminous documents.

1 How is that not the case?

2 MR. FLEMING: Well, they, of course, have not made
3 that argument. And also they wouldn't be able to present
4 the code itself since they didn't identify it in either
5 their initial disclosures or in response to our discovery
6 requests. So, I mean, those parts of that hypothetical
7 should not happen in our view. But even -- I don't believe
8 a layperson would be able to -- I mean, if he had done this
9 all manually, instead of used a software program, I don't
10 believe a layperson would have been able to prepare this
11 summary. It -- I mean, it relates to the lines of code,
12 what's been added or deleted. As he's -- as Mr. Marce
13 testified himself, a layperson would not be able to do this.
14 A layperson would not be able to understand this. And it
15 was only because he'd been a software engineer for 20-plus
16 years that he had the foundation to explain what it is that
17 he did, the process that was followed, and what this machine
18 did.

19 But it is -- I mean, it's not like a layperson who
20 happened to be at the scene of an accident and a car -- like
21 an employee who happened to be at a car accident which is
22 the subject of a lawsuit and that person testifies about
23 what he saw. This is something that he was asked to do by
24 counsel, would not -- he's never done it before, hasn't done
25 it since, and he had to use this software program to obtain

1 the data. It's not ordinary course layperson's observations
2 of things. Rather, it's something that he needed to engage
3 the services of this program in order to provide the
4 information and for him to give verification that it's
5 reliable and how that machine works and how it gathers the
6 information. But --

7 THE COURT: Is -- let me try it a different way
8 then. He's -- Mr. Marce testified in his deposition, in
9 essence, I'm familiar with -- and by all means, tell me if
10 any of these details are wrong. I'm not going to be that
11 detailed -- but I'm familiar with all these versions. I
12 know the way we go from Version 7 to Version 7.1, and I know
13 how we go from Version 6 point anything to Version 7 point
14 anything. One is built on top of the other. We use most of
15 the lines of code from the prior version in the next
16 version. How is this chart then rule -- or Exhibit 14,
17 Exhibit 609, in depos, how is that not just an illustration
18 of that factual testimony?

19 MR. FLEMING: Well, because the factual testimony
20 that you just reviewed is just generally how a software
21 company would create various versions of a particular
22 software. This is a -- a quantitative analysis that it was
23 necessary to use, you know, a software computer program to
24 provide this data.

25 THE COURT: This -- but here's -- here's where I'm

1 struggling with this. If Mr. Marce gets on the witness
2 stand and says -- let's say he memorizes these numbers and
3 he says, 98 percent of the code that exists in Version 7.0
4 is used in Version 7.1, that's a fact. You can -- you get
5 to ask him, Well, do you know which lines of code, how do
6 you know it functions the same, all of that stuff. But why
7 isn't that just a fact that he can testify to? And then if
8 you want to talk about the computer program, isn't that
9 just -- the computer program itself isn't expert testimony,
10 isn't opinion testimony. If they want to rely on the
11 computer program, they are going to have to demonstrate some
12 foundation for it. Why isn't that just ordinary fact
13 testimony that, you know, maybe you did have discovery on it
14 and maybe you didn't? Maybe you should have or maybe,
15 whatever, but I'm not there with you on the expert
16 testimony.

17 MR. FLEMING: Yeah, well, Your Honor, I would
18 simply reiterate there is a difference between the -- the
19 extrinsic, which is all he's going to be providing testimony
20 on, and the intrinsic, which he unabashedly says he's not
21 able or at least he currently hadn't been able to conduct
22 any such analysis, wasn't asked to do it. So we're just
23 talking about the quantitative analysis. But I believe that
24 that analysis itself is not layperson testimony. You need a
25 sufficient background in software engineering in order to do

1 that analysis in order to explain -- not only to do the
2 analysis, but to understand how that machine works and
3 exactly what it's doing.

4 I mean, they say that it's a fact that, you know,
5 it is that percentage as a -- I mean, the issue is literally
6 he was doing an analysis of tens of millions of lines of
7 source code, and he doesn't have personal knowledge of any
8 of that. He doesn't have personal knowledge of the
9 similarity between the two. He knows, in general, they use
10 a lot of the similar source code when they go to version for
11 version, but it was only with this machine, which attempts
12 to provide, you know, the information about how many lines
13 were added, how many were deleted, that he would be able to
14 testify. A layperson wouldn't be able to come in and say --
15 wouldn't be able to run the machine in the first instance,
16 couldn't tell, without a background in software engineering,
17 how the machine was obtained, what exactly it does, why we
18 have comfort in the veracity of the machine. I mean, it is
19 the type of information that typically an expert would
20 provide.

21 THE COURT: Hang on a second.

22 Okay. Keep going, Mr. Fleming.

23 MR. FLEMING: So, I mean, there's -- that is our
24 argument as to why he is an expert. He's a software
25 engineer. He was relying upon his expertise. He testified

1 himself that he would -- a layperson would not understand
2 the chart, would not be able to create the chart himself.
3 He also doesn't do it in the regular course of his business.
4 As I said, he was directed to do this for the first time, so
5 it's clearly something that was done in anticipation of
6 trial as opposed to something in the regular course of
7 things.

8 And, you know, the lateness in providing all of
9 this is a subject of concern also. They had the chart back
10 in November 2020, they didn't provide it until a year later,
11 hours before the deposition. So, I mean, I -- it's our
12 position that because he is testifying about a matter where
13 he needs technical expertise to provide the information, he
14 was asked to do this for the purposes of this litigation, he
15 doesn't do this in the regular course of his business. He's
16 never used the machine before, he is an expert, and he
17 should have been so identified in a timely fashion and
18 allowing us an opportunity to respond with an expert.

19 THE COURT: Is -- well, all right. So I tend to
20 agree with you in -- that implicit in your argument, I
21 think, implicit in both sides' argument is that the issue is
22 going to come down to whether or not this is expert
23 testimony or not. Right?

24 MR. FLEMING: Yes.

25 THE COURT: And I'm not hearing you say -- let's

1 assume for a second that it's fact testimony. I'm not
2 hearing anyone say you requested the software code in
3 discovery or that you asked questions, for example, of any
4 witness, to the extent they are in the initial disclosures
5 whose testimony or knowledge is described as knowledge of
6 the extent of preexisting material in later versions of the
7 Blaze Advisor software, I'm not hearing that those questions
8 were asked in any other deposition. Is that -- am I right
9 in all of that?

10 MR. FLEMING: Yes.

11 THE COURT: Okay. Have you -- I don't recall
12 seeing any cases frankly cited by either side that were
13 terribly illuminating on this question of whether this is
14 really expert testimony or not. I mean, the general
15 principles are the general principles, but have you cited
16 any cases that you think are particularly analogous to this
17 circumstance?

18 MR. FLEMING: I don't believe so. In this
19 context, though, in reviewing the cases about substantial
20 similarity, it did appear to me that generally there were
21 experts on both sides of the issue, but there wasn't a
22 discussion about their need or the lack of need for that.

23 THE COURT: Okay. So the part of this -- well,
24 the other part of this is if it's not -- well, are you
25 arguing that the overlap -- the percentage, for example, of

1 overlap between Version 7.0 and 7.1, that Mr. Marce says
2 that percentage is blank, that that statement is an opinion?

3 MR. FLEMING: Yes.

4 THE COURT: Okay. Okay. Anything else I should
5 be aware of before I hear from them?

6 MR. FLEMING: Yes, this issue about the production
7 of the source code. We had a -- you know, the initial
8 disclosures use the words "documents sufficient to show
9 FICO's ownership of its federal copyrights." And, you know,
10 their response is, Well, that is the same as saying the
11 source code, but it's not. It's saying "ownership of." Any
12 more than if they said -- it was a different case and they
13 said ownership of a car or a dog or a book, ownership is
14 title, and words mean something. Those are the words they
15 used. They didn't use the word "source code." And we asked
16 questions in interrogatories, in the document requests about
17 identifying each work, and also broader, all documents not
18 otherwise requested that refer or relate to the claims and
19 defenses in this lawsuit. Now -- and, again, the source
20 code wasn't referenced or produced.

21 There's a difference between litigating and trying
22 a case. I can't think of a single case that I've tried
23 where I attempted to use documents that hadn't been provided
24 in the initial disclosures or discovery. I mean, that's
25 what you do is you make sure those are provided. And

1 there's a reason for it, because Rule 37 says very clearly
2 if you fail to produce the documents in the initial
3 disclosures, you can't use them at trial. And that is the
4 situation we're in. They did not identify or produce it in
5 their initial disclosures in response to discovery requests
6 or otherwise. And now they are going to, at trial, attempt
7 to use this evidence that has not been produced. I mean,
8 that is -- that is contrary to the way cases are tried. And
9 that is the very reason for the rules, for Rules 26 and 37.

10 THE COURT: That's not really the motion that's in
11 front of me, but, that aside, isn't -- first of all, setting
12 aside the initial disclosure issue for a second, did you
13 request the -- the code in discovery? I recall -- I recall
14 having some discussion early on in this case about code, and
15 I remember that being a bit of a lightning rod, but was that
16 requested in discovery?

17 MR. FLEMING: It was not -- well, it was
18 requested -- those words were not used in the discovery
19 requests, but they would have been required to be produced
20 in the initial -- identified or produced in the initial
21 disclosures because they are -- you know, directly relate
22 to, you know, support for the claims that they are
23 providing. And we had broader interrogatories asking them
24 to identify each work you contend that Federal used beyond
25 the scope granted and describe the basis for your

1 contention, all documents relied on in preparing those
2 responses, and then all documents not otherwise requested
3 that refer or relate to the claims and defenses in the
4 lawsuit.

5 THE COURT: I think -- I'm sure Mr. Hinderaker
6 will have plenty to say on this topic. But I think the
7 title, if you will, of the vehicle -- here the vehicle is
8 the software -- the title is the registration; right? This
9 is how I prove that I own it. The code itself -- well, the
10 code itself -- is the code itself the protected work? Is
11 that your point?

12 MR. FLEMING: Yeah, it's not the certificate.

13 THE COURT: Right.

14 MR. FLEMING: That is the only thing referenced in
15 the initial disclosures. And, Your Honor, it is -- before
16 you just for this reason, we're asking for the ability both
17 to make a motion to preclude Mr. Marce but also to bring a
18 summary judgment motion on the copyright claim.

19 THE COURT: Well, I think that the problem with
20 that -- and I really want to hear from Mr. Hinderaker --

21 MR. FLEMING: Yeah.

22 THE COURT: But the problem, at least as I
23 understand it, is you want to bring a motion for summary
24 judgment on a theory that they are not advancing. Their
25 theory is Federal directly copied our registered works by

1 use of Version 7.1, and, for that, the question of
2 substantially similar doesn't matter. For that, the
3 question is was 7.1 derivative of 7.0, which was asserted as
4 an infringed basis, and was 7.2 substantially derived from
5 7.1. And so the summary judgment motion, at least as I
6 understand it that you want to bring, you could bring that
7 argument, and Mr. Hinderaker is going to stand up in front
8 of Judge Wright and say, We agree. It's not -- we're not
9 asserting that it's substantially similar. We're saying it
10 was directly copied. So what do you say about that?

11 MR. FLEMING: Well, that is different than what
12 they've represented to Judge Wright in the summary judgment
13 argument, because when we raised this issue about Blaze 7.1
14 being the only software that they are now relying upon, we
15 raised the point that it was unregistered, and their
16 response was, we're relying upon the unregistered Blaze 7.1
17 based on significant similarity. They use that very phrase
18 repeatedly. I mean, that was their argument as to why they
19 could use 7.1. So, I mean, they can say now that they are
20 not relying upon it. They told the Court they were relying
21 on it. And even under the direct evidence of copying
22 doctrine -- or the derivative works doctrine, that is a
23 substantial similarity test. They still have to show that
24 what was copied was substantially similar.

25 THE COURT: They describe that as not substantial

1 similarity, and maybe it's a distinction without a
2 difference. They describe it as substantial overlap,
3 similar -- at least as I understand it. And maybe it's that
4 we're adopting, frankly, words that don't really fit in
5 the -- in the software area, but substantial similarity gets
6 at the notion of the sort of overall impression of the work
7 so that, you know, if you are looking at two paintings, it's
8 an assessment of its qualitative sort of conveyance. And
9 they are saying, no, for derivative works, all it is is how
10 much of this work is found in the derivative work. And when
11 we're talking about software code, their position, at least,
12 is, you know, if you have ten lines of code and nine lines
13 are used, we can put in evidence that nine lines are used
14 and the jury can decide whether that is a substantial bit of
15 the work that's used in the derivative work.

16 MR. FLEMING: Right. Right, Your Honor. And
17 that's what they are saying now. They had been arguing a
18 different analysis was applicable. And they submitted a
19 brief. We haven't had a chance, of course, to respond to
20 that. But I don't believe the tests aren't similar. I
21 think the tests are similar. I think they still have to
22 show substantial or significant similarity between the two.
23 So they'd have to produce the source code of each in order
24 to do that, and they have failed to do so.

25 THE COURT: Until now. Actually, they probably

1 still haven't produced the actual source code.

2 MR. FLEMING: They have not produced.

3 THE COURT: Okay. Okay. Thank you, Mr. Fleming.

4 MR. FLEMING: All right. Thank you.

5 THE COURT: Use the hand sanitizer before you
6 leave. Come on over to the other side. Thank you.

7 Mr. Hinderaker, before you begin, let me start
8 with what I think are the easy issues. FICO is not going to
9 elicit testimony from Mr. Marce that says Version 7.1 is
10 substantially similar to Version 7.0 or 7.2. Am I correct
11 in that assumption?

12 MR. HINDERAKER: You are correct, Your Honor. We
13 expect the judge to instruct the jury on the test, and we
14 expect Mr. Marce to provide the jury with facts.

15 THE COURT: And the facts that he -- you would
16 have him provide are, this has this many lines, 7.1 has this
17 many lines, X number of lines were deleted, X number were
18 added, and here is the percentage of overlap?

19 MR. HINDERAKER: Can I -- I think I need to -- I
20 know why you are saying it that way, and I'm not saying that
21 you are wrong saying it that way, but that's not the way I
22 would -- that's not my expression of it.

23 THE COURT: Okay.

24 MR. HINDERAKER: My expression of it is that I
25 need my glasses. But Mr. Marce will first testify, as the

1 deposition detailed, about how FICO develops or writes one
2 version of Blaze Advisor over the other. So as you
3 summarized earlier, they are written on top of each other.
4 The changes are very small, typically, and so forth. So he
5 will -- he will testify that -- he will testify to that.
6 Under the instructions of the Court, under the definition of
7 a derivative work from the Copyright Act, Section 101, a
8 derivative work is something that is based on the prior
9 preexisting work.

10 So then when we get to the quantification --

11 THE COURT: And the language in the Copyright Act
12 is based on.

13 MR. HINDERAKER: The language of the Copyright Act
14 is based on.

15 THE COURT: So the word "substantial," if one
16 really wanted to get technical about this, never has to come
17 out of Marce's mouth?

18 MR. HINDERAKER: It never will. It doesn't have
19 to be. And I think, appropriate to this point, if I or any
20 counsel for FICO was to ask Mr. Marce a question that
21 implicated Rule 702, 703, or 705, counsel for the defendant
22 should object, and the judge should make a ruling.

23 The chart, the table, was given to counsel as a
24 courtesy to demonstrate how Mr. Marce -- what Mr. Marce --
25 what Mr. Marce did. And so where my expression differs from

1 yours, Your Honor, is that if -- one, in the context of my
2 claim, depending on the registered Version 7.0, I will have
3 Mr. Marce do the work to tell the jury that version --
4 unregistered Version 7.1 has X lines of code of 7. Now,
5 that information is on the chart here. You have to do the
6 math yourself. You take the code of 7, you look at how
7 much -- how many lines of code were deleted in 7.1, you
8 subtract that from the lines of code of 7, and then you have
9 the lines of Code 7 that are in 7.1. You would do a similar
10 analysis if my -- when my copyright claim is based upon
11 registered Version 7.2, I'd look at all of the lines of code
12 of 7.1 that are in 7.2.

13 Now, counsel was asked whether that's an opinion
14 when you asked the question, Your Honor, about a percentage.
15 It's not an opinion. It's simple math. If I have two lines
16 of code and the registered version has four, the math is
17 that the unregistered version has half of the code of the
18 registered. So it's not an opinion. It's math.

19 THE COURT: What -- imagine you're in Federal's
20 shoes and you are looking at these numbers, and -- well,
21 that's -- I'm not going to ask you that question. Here's
22 the point, what's the factual refutation of this
23 information? In other words, you know, there's a quality to
24 the argument they are making, that is, this has been sprung
25 on us. We were unprepared for it. And I'm asking what's --

1 if it were never sprung -- I'm not saying it was or it
2 wasn't, but if it were never sprung and somebody had three
3 years to develop a response to that, is there a response to
4 the factual information?

5 MR. HINDERAKER: If Mr. Marce was inaccurate.

6 THE COURT: Okay. Okay.

7 MR. HINDERAKER: So the -- there were -- there
8 were a few what I'll call errors of fact, misstatements, if
9 you will, and I have to leave the Court to looking at our
10 references to the transcript to test what I'm going to say.
11 But the source code or software control system that
12 Mr. Marce used is a standard business repository of FICO.
13 It wasn't done -- it wasn't created for the purpose of this.
14 It's where the source code for the various versions of Blaze
15 Advisor reside at FICO. Mr. Marce created for himself a
16 tool that, if you will, I think he called it a script,
17 whereby, he could have the computer -- a computer do the
18 comparison of lines of code. And that is the extent which
19 that is -- and Mr. Marce was able to do that because he
20 knows how.

21 Counsel was suggesting that these lines of code
22 have something to do with similarity, and he used those
23 words. They do not. Mr. Marce, when he identified what
24 lines of code were in common, he identified the lines of
25 code that are identical, exact, same line. When he

1 identified or -- the lines of code that were added, he just
2 identified every line of code that was either added or an
3 existing line of code that was moved to someplace else in
4 the program. That was added. And when he identified lines
5 of code that were deleted, they had exactly what he says,
6 they are deleted. So there's no similarity analysis in his
7 work in any event, and to suggest that any of this has
8 anything to do with similarity is wrong.

9 Now, let me -- I was going to talk -- let me say a
10 few more things about Mr. Marce and then segue into that. I
11 have the impression from counsel that for Mr. Marce to
12 testify as a, quote, fact witness, he must not have the
13 qualifications to have the firsthand knowledge and the
14 personal experience to testify to these facts. I mean, the
15 argument that a person with expertise and because of that
16 expertise has the personal knowledge of facts, and the
17 personal experience working with these facts, because such a
18 person is the only kind of person who can testify factually.
19 But the plaintiff's argument boils down to the
20 proposition -- or the defendants' argument boils down to the
21 proposition because he is -- has expertise in software,
22 somehow he's an expert. And as the cases that we cited
23 detail, Your Honor, this issue of a fact witness being
24 presented as an expert or challenged as an expert has
25 happened before, and the Courts have said, Is this factual

1 testimony based upon his personal firsthand knowledge? Is
2 his factual testimony based upon his personal experience?
3 The fact that he has qualifications to have that knowledge
4 and have that experience does not make him into an expert.

5 THE COURT: So let me illustrate what I think
6 you're saying, and you tell me if this captures it. Have
7 you seen the movie "Don't Look Up"?

8 MR. HINDERAKER: Not yet.

9 THE COURT: Okay. It doesn't matter. There --
10 essentially imagine you have a lawsuit in which an
11 astrophysicist's calculations matter, and the calculation is
12 there's a comet, I see the comet. I run the math. I
13 calculate this is the path, or I calculate, you know, these
14 things. Your point is, I can't do that calculation. Only
15 an astrophysicist can do that calculation, but that he has
16 the knowledge to do the calculation doesn't turn the
17 calculation into expert testimony.

18 MR. HINDERAKER: Exactly so.

19 THE COURT: Where it becomes expert testimony is
20 if he or she says, and it's going -- in my opinion, it's
21 going to hit the Earth?

22 MR. HINDERAKER: Exactly so. And the person isn't
23 saying, It's my opinion that this is what's going -- it's my
24 opinion of the trajectory. The person is saying, That's the
25 math.

1 THE COURT: Right. Okay. What about this issue
2 that this was in some measure sprung on the defendants? I
3 have seen the initial disclosures and the description of,
4 first, Chen, and then I think it's Jorge, and then it's
5 Mr. Marce's testimony that says the -- well, let me just
6 find it. Hang on. The description is -- and of course I
7 pull up the wrong one.

8 MR. HINDERAKER: It's knowledge of the extent of
9 preexisting material in later versions of Blaze Advisor
10 software.

11 THE COURT: Right. Right. That was clearly
12 disclosed.

13 MR. HINDERAKER: June of 2017.

14 THE COURT: Right. What about the argument that
15 if you were going to go this route with this theory, which
16 is to say 7.1 is the derivative work of 7.0 and 7.2 is the
17 derivative work of 7.1, you were required to disclose the
18 source code so that they could address that?

19 MR. HINDERAKER: Well, I have two -- two responses
20 to that. I don't accept the proposition that we did not
21 identify the source code. We -- you -- there was an analogy
22 of a car, well, that has a title. There was an analogy of
23 something else that had a title. Let's use the analogy of a
24 baseball. I want to show to you my ownership of the
25 baseball. How might I do that? I might show you that I

1 possess it. Our initial disclosures doesn't say ownership
2 of registrations. It says, ownership of copyrights.
3 Copyrights do not exist in thin air. Copyrights are an
4 expression, and, in here, we're talking about source code,
5 the instructions to a computer.

6 THE COURT: Reduced to a tangible medium.

7 MR. HINDERAKER: Fixed in a tangible medium of
8 expression. And we talked about -- and we said, we want the
9 documents sufficient to show our ownership of copyrights.
10 It is the expression fixed in a tangible medium. It is the
11 source code. We're not limiting it to registered
12 copyrights. We're not limiting it to proof of the
13 registration itself. We're saying, this case is based on
14 the instructions to a computer which are copyrights when
15 they are fixed in a tangible medium of expression.

16 And I want to suggest, Your Honor, that -- and I'm
17 looking at Footnote 8 of the defendants' brief at page 24,
18 where, in this case, they are talking about substantial --
19 or the substantial similarity argument, which I'll get to.
20 But I find this to be quite telling, when they are -- they
21 have already argued about the initial disclosure, quote, A
22 computer's program is literal elements, i.e., its source
23 code and object code, comprise the protected content of the
24 asserted work [sic]. That is the thing itself. Documents
25 of FICO sufficient to show the ownership requires

1 presentation of the thing itself. And we've cited in the
2 brief -- I'm saying it now -- the initial disclosure on
3 documents does not say source code. It says, federal
4 copyrights. And the only kind of copyrights there are is
5 federal. And it doesn't say title documents. So we did
6 disclose that.

7 But the initial disclosures need to be read, I
8 think, in total. And less than three months later, the
9 subject matter for Mr. Chen has expanded to be the extent of
10 preexisting material in later versions of Blaze Advisor
11 software. To suggest that the software itself, the source
12 code itself, is not a fundamental part of the case, ignores
13 Mr. Chen's testimony. FICO was telling the plaintiff from
14 2017, June 6, this is one of the elements of our proof of
15 our case.

16 THE COURT: Is -- so -- okay. They argue -- or
17 they say in response to that, then you were required to
18 produce those.

19 MR. HINDERAKER: And there is no -- there is
20 absolutely no support for that. The initial disclosures
21 identify location and types of documents, and the next step
22 was for the defendants to request to come to the location
23 and inspect the documents or to request, by request for
24 documents, the source code. That is -- you know, the
25 commentary to the initial disclosure rule says it's a way of

1 getting everybody on the same page as to what there is, and
2 then the discovery rules are the way in which that
3 information is produced to the other side. I mean, I'm old
4 enough to have gone to warehouses where the documents were
5 located and that was how the other side produced their
6 documents. More modern is that the one side actually gives
7 the documents to the other, but in either event, it's the
8 next step that defendants -- defendants never took.

9 THE COURT: Rule 26(a)(1)(A)(ii) says you must
10 produce a copy or a description by category and location.

11 MR. HINDERAKER: And we gave a description by
12 category and location.

13 THE COURT: Did the Court's Rule 16 -- I can't
14 imagine that it did knowing what our Rule 16 orders look
15 like. I don't believe -- I couldn't have been on the
16 initial one. I wasn't a Magistrate Judge. But did it
17 require production of the actual documents or simply say
18 initial disclosures?

19 MR. HINDERAKER: Just initial disclosures.

20 THE COURT: Okay. And the category where the
21 software code -- the source code fits is ownership. Or what
22 is -- what's the category that you think that the source
23 code fits in?

24 MR. HINDERAKER: The documents necessary to show
25 ownership is the source code in FICO's possession.

1 THE COURT: Okay.

2 MR. HINDERAKER: And -- and the other notion -- a
3 related notion is the proposition that the defendants could
4 not have understood that the source code is a fundamental
5 part of the case, and they didn't know enough to ask for it.
6 Well, there's nothing unfair about what was disclosed to
7 them, and reading Mr. Chen's disclosure, I think, I'm
8 suggesting eliminates even the argument of any notion that
9 the source code -- any surprise that they might have that
10 the source code is not -- is not part of this case. Of
11 course it's part of this case.

12 THE COURT: Did we have -- was there a request for
13 production of the source code?

14 MR. HINDERAKER: No.

15 THE COURT: Did we have -- do I have -- I know I
16 have a vague recollection of having discussed the topic
17 generally, but did we discuss the topic generally during the
18 course of our many, many motions in this case?

19 MR. HINDERAKER: I really hate to show my age and
20 say I don't remember, but I don't remember.

21 THE COURT: Okay.

22 MR. HINDERAKER: If I might -- if I might turn to
23 another -- another argument that the defendants made. With
24 the Court's indulgence, at the end of my comments, I'd like
25 to say more about this, but this is -- but at this point

1 now, there's this theme that, well, FICO is changing its
2 story, and, gosh, they are going to try to prove up
3 infringement based upon derivative works? They said before,
4 at Docket 795, page 5, 7.1 is substantially similar to the
5 registered versions of Blaze Advisor. And it is. And we
6 will prove it. And, as I mentioned, the definition of a
7 derivative work is one work, quote, based on one or more
8 preexisting works. How are we going to show that? We're
9 going to show that they are substantially similar.

10 THE COURT: Well --

11 MR. HINDERAKER: I'm sorry. Go ahead.

12 THE COURT: The problem with that particular
13 phrase, I think, is that it's a buzz phrase; right? You
14 know, you're going to show that it's based on, and the
15 argument is going to be, look at the extent of the overlap.

16 MR. HINDERAKER: I was going to add to this,
17 Your Honor.

18 THE COURT: Okay.

19 MR. HINDERAKER: In the case law, the case law
20 that we rely upon for direct copying, the case law uses the
21 phrasing "a substantial amount of material from registered
22 version to unregistered use." I believe that when
23 defendants saw the phrase "substantial similarity," they
24 applied it to the wrong legal test. Proof of substantial
25 similarity is our way that we can prove one work is

1 derivative from the other. The material is substantially
2 identical. That's our derivative proof.

3 They look at the word "substantial similarity" and
4 they say, oh, there's this other case law, not direct
5 copying case law, but this other case law where you have to
6 prove access for circumstantial and substantial similarity.
7 Well, they took a phrase and applied it to the wrong law.
8 But that's not -- that's on them. What we said was we have
9 to prove substantial similarity to the registered versions.
10 And let me also point out this, substantial similarity to
11 the registered versions, that's the proposition of direct
12 copying and proof on derivative -- infringement based upon
13 derivative works. We didn't say substantial similarity
14 between --

15 THE COURT: The defendants' work and ours.

16 MR. HINDERAKER: Right.

17 THE COURT: Because the defendants don't have any
18 work.

19 MR. HINDERAKER: They really don't. They don't,
20 which is what the case law they rely on presumes, but they
21 don't.

22 THE COURT: Is -- do you have your -- I think the
23 second amended complaint is the operative complaint in this
24 case; correct?

25 MR. HINDERAKER: That is correct.

1 THE COURT: And I don't remember exactly where it
2 appears in the materials submitted. Do you happen to know
3 that offhand? Is it in yours or theirs or both?

4 MR. HINDERAKER: I know that in our written
5 materials, we speak to the second amended complaint because
6 that's how ACE American becomes a defendant in the lawsuit.
7 Whether --

8 THE COURT: Yeah, I don't see any.

9 MR. HINDERAKER: -- it's an exhibit, I --

10 THE COURT: Do you know? Excuse me a second,
11 Mr. Hinderaker.

12 MR. HOKANS: Your Honor, it's Docket 132.

13 THE COURT: But it's not included in the materials
14 that are supporting this motion?

15 MR. HOKANS: No. It's not an exhibit.

16 THE COURT: Okay. All right. Thank you. Hang
17 on.

18 All right. Keep going, Mr. Hinderaker. The point
19 I was going to ask, and obviously I'm going to satisfy
20 myself on this, but your infringement allegations in the
21 second amended complaint allege what? Direct infringement?
22 Infringement of a derivative work? What does it allege?

23 MR. HINDERAKER: That the -- it's more general
24 than that. It alleges --

25 THE COURT: They infringed.

1 MR. HINDERAKER: It alleges that the unauthorized
2 use of Blaze Advisor infringes registered copyrights.

3 THE COURT: Okay. Thank you.

4 MR. HINDERAKER: And it's worth -- I think it's
5 worth me noting, Your Honor, at the time of these pleadings,
6 the pregnant question of what version of Blaze Advisor was
7 being used during this period of unauthorized use wasn't
8 something that we had. That was in their documents. And so
9 we had to take on -- we undertook discovery to find that
10 out. And any -- there's somewhere in the defendants' brief
11 where it was to the effect saying to the effect, FICO
12 finally disclosed that its Version 7.1, that's the basis of
13 unauthorized use. It's as if FICO's counsel should call up
14 defendants' counsel from time to time and let them know how
15 we're thinking.

16 The complaint lets out the -- states the
17 registered versions. They can look at their own documents
18 to see what they were doing with Blaze Advisor during the
19 infringement period. Their own documents tell them it's
20 Version 7.1. Look at our complaint again, is Version 7.1
21 there? No, it's not. 7.1 is unregistered. Check the
22 copyright office. Maybe we made a -- 7.1 is unregistered.
23 They knew that or could have known that as soon as they got
24 the complaint and asked their clients to look at their
25 records. And the records we attached in the filing are

1 called Chubb Enterprise Application Registry. Big long
2 document, big Excel spreadsheet, pain in the neck to read.
3 And they record what technology they are using on their
4 applications. And you go to the applications that I care
5 about that use Blaze Advisor, and it's Version 7.1. They
6 knew that.

7 I'm going to -- now, relatedly to the -- well, I
8 want to -- if I might go back to the beginning of this just
9 briefly. I'd like to just talk about diligence as a subject
10 matter. So if -- if Version 7.1 -- the fact that 7.1 is
11 unregistered, is, quote, our fatal defect, as I just said,
12 they should have known that moments after they got the
13 complaint. That fatal -- fatal defect has been in the
14 lawsuit since the second amended complaint. It's been in
15 the lawsuit since the original complaint for that matter.

16 Why didn't the defendants ever ask for the source
17 code? Was it irrelevant to them because the fatal defect
18 was 7.1 isn't registered? Why didn't they inquire of Chen
19 about preexisting material? Irrelevant because without 7.1
20 registered, there's no copyright infringement claim? I
21 don't know. But they never did. And they knew about 7.1
22 being unregistered back in the day of the pleadings
23 themselves, and here we are bringing this -- wanting to
24 bring that summary judgment motion -- that summary judgment
25 motion today.

1 THE COURT: You -- I guess the other way of
2 putting it is if 7.1 is not registered and that's a fatal
3 defect, that could have been brought as part of the original
4 summary judgment motion?

5 MR. HINDERAKER: It could have been brought as a
6 motion to dismiss. If -- if the testimony of Marce about
7 preexisting material in later versions of Blaze Advisor is
8 expert testimony because you have to have qualifications to
9 be able to figure that out, that could have been brought
10 June -- right after June 6, 2017. There wasn't -- and, yet,
11 here we are doing -- doing that now.

12 There was a statement that there was discovery
13 against a source code, and that's Interrogatory 3. It
14 was -- it asks, identify -- and then works was defined to be
15 registered works -- identify registered works that you
16 contend are used, and we did. And they were all paragraphed
17 out in the complaint.

18 THE COURT: What identified works were -- or what
19 registered works were identified?

20 MR. HINDERAKER: All of the registered works of
21 Blaze Advisor, which aren't all versions, but all the
22 registered works of Blaze Advisor are identified.

23 THE COURT: Okay.

24 MR. HINDERAKER: There is a -- just as background,
25 I mean, there's a copyright circular I could provide the

1 Court if there was any interest, but the standard way that
2 the copyright office suggests that software companies
3 register is that they don't register every change, every
4 modification. There would just be too much. From time to
5 time, you register, and that's what FICO did.

6 THE COURT: Let me interrupt you again. First of
7 all, bear with me. I have got to plug in my iPad or I'm
8 going to lose it, which requires that I do the undignified,
9 I think.

10 So my question, Mr. Hinderaker, relates to -- hang
11 on. So you write in your memorandum at page 27, A plaintiff
12 may use an underlying registered work to pursue an
13 infringement claim against unauthorized use of an
14 unregistered derivative work, citing *Nimmer*, and, more
15 importantly, citing the case *Montgomery v. Noga* at 168 F.3d
16 out of the Eleventh Circuit in 1999. Is this an unusual or
17 somehow rarefied proposition, and are there cases in the
18 Eighth Circuit that deal with this question, because nobody
19 has cited any?

20 MR. HINDERAKER: Um, the answer to your first
21 question is, no, it's not unusual. I don't -- I don't
22 pretend to have a copyright -- it's not the first time I've
23 had to deal with these issues in my practice. And I want
24 to -- you point to -- right. And the cases that -- we cited
25 the cases that we thought were applicable on the fact

1 pattern.

2 In terms of your second question about the Eighth
3 Circuit, off the top of my head, I'm not aware of it. The
4 Eighth Circuit isn't a robust venue of copyright
5 infringement claims, so not having one isn't a surprise.
6 But I'm also -- I'm also not aware of any decision that
7 rejects either -- either the doctrine that an unregistered
8 work can infringe an earlier registered one or the other
9 doctrine, the effective registration doctrine, that an
10 unregistered work can infringe a later registered version.
11 Those are all standard copyright cases.

12 THE COURT: Okay. And for that, I think you cite
13 that proposition, the effective registration doctrine, you
14 cite *Big Daddy Games, LLC*, out of the Western District of
15 Wisconsin?

16 MR. HINDERAKER: Yes.

17 THE COURT: As well as I think some from the
18 District of Nevada?

19 MR. HINDERAKER: Right.

20 THE COURT: Kansas.

21 MR. HINDERAKER: Right. Right. And then it's not
22 the same issue. I'm not saying that. But, relatedly,
23 there's quite a few cases that we cite where the Court is
24 saying, when the evidence -- when the proof is of direct
25 copying, the substantial similarity test of the two

1 states -- two-step test is irrelevant.

2 And if I could also add this, sort of on the
3 common sense of it, is kind of what -- so if I have a
4 Registered Work 7, and I need to have a registered work for
5 a copyright infringement claim, and I want to prove that
6 Registered Work 7 is being copied, and I present the fact
7 that Unregistered 7.1, when it's used, is copying -- is
8 copying, identical code is copying, 98 percent of the code
9 is 7 --

10 THE COURT: And you own it.

11 MR. HINDERAKER: -- and I own it, I have proven --

12 THE COURT: It's a standing question.

13 MR. HINDERAKER: -- I have proven the copying, the
14 direct copying of my 7. Similarly, on the other way, the
15 effective registration doctrine, I prove that my 7.2 has a
16 lot, substantial, huge parts of 7.1. When 7.1 is used
17 unauthorized without authority, it's copying 7.2. Identical
18 quote. So, factually, it works, and those are the ways that
19 the cases have addressed them and the way *Nimmer* has
20 addressed them.

21 THE COURT: Okay. Thank you, Mr. Hinderaker. I
22 don't have any other questions. Is there anything else you
23 need to point out to me?

24 MR. HINDERAKER: Oh, I just have a -- I have a
25 burr under my saddle about the notion that FICO in any way

1 changes its tune, and I have more to say about that because
2 of what defendants put in their brief. But when I get done
3 saying it, it doesn't make any bit of difference. It just
4 gets it off my chest. So having said that, I'll let it stay
5 on my chest.

6 THE COURT: Okay.

7 MR. HINDERAKER: Thank you, Your Honor.

8 THE COURT: Thank you.

9 Mr. Fleming, I'll give you the last word or words.

10 MR. FLEMING: Your Honor, with regard to a claim
11 of an infringement of a derivative work, there is a case,
12 which we didn't cite, which says that the test is whether
13 they are substantially similar. They aren't different
14 tests. And that case is *Well-Made Toy Manufacturing*, Second
15 Circuit decision, 354 F.3d 112 (2010).

16 With regard to this issue about disclosure of the
17 code and why it is that we didn't ask for that specifically,
18 so they have said repeatedly throughout this case that they
19 were relying on registered versions of the code. They made
20 that argument before Judge Wright during the first summary
21 judgment hearings. After the close of discovery, in 2019,
22 they said they were relying on Version 6.7 and 6.9. It
23 wasn't until after the Court ruled, and during the
24 supplementary briefing in May of 2020, that for the first
25 time they say, Well, no, what we're actually relying on is

1 Version 7.1.

2 So prior to that, prior to that, there was no
3 reason why we would be taking the deposition of Mr. Chen who
4 became Mr. Fernando who became Mr. Marce, because
5 substantial similarity between the unregistered version and
6 the other versions had no bearing on the case as long as
7 they were relying on registered versions.

8 THE COURT: When you say "relying on," what are
9 you referring to? Are you referring to their argument
10 before the Court or what are you pointing to for me?

11 MR. FLEMING: Their summary judgment brief.

12 THE COURT: Okay.

13 MR. FLEMING: We reference the exact page in
14 our -- in our memo. But they had consistently taken that
15 position, and it was not until May of 2020. And so we
16 raised the issue with the Court about the fact that they
17 were relying -- you know, for the first time, they are
18 telling us they are relying upon an unregistered work, and
19 we -- we made the argument in our briefs. They responded
20 that the test is substantial similarity and they are going
21 to have proof of that at trial. And Judge Wright issued her
22 order in -- Judge Wright issued her order in March of 2021
23 then, and she didn't address the arguments going back and
24 forth about 7.1 being unregistered. And they didn't have
25 the jurisdictional prerequisite.

1 So that is the timing of things, is they are
2 telling one story. They are telling us that that's what
3 we're relying on, and it's not until very late that they
4 change their theory and say, No, we're just relying upon
5 7.1. We immediately brought it to the Court's attention.
6 She didn't address it. In part, because she had been clear
7 with us that she was focusing on the supplementary memo on
8 some particular issues and did not sway from that,
9 understandably. But the issue had been raised. And then as
10 soon as we had the opportunity to take Mr. Marce's
11 deposition and learn that they were going to be using this
12 theory, we brought these motions.

13 Further, with regard to the disclosure of the
14 code, there's a representation that there was some
15 representation as to the location of the documents or the
16 location of the source, but they never gave the location of
17 the source code. The only thing they said was ownership of
18 the works. I mean, they didn't -- they didn't say the works
19 themselves. They said ownership, which is a -- you know,
20 words are important. They referenced that, and they never
21 had some other reference. They never updated their initial
22 disclosures. They never provided in discovery the source
23 code. And they should be precluded from using it at trial
24 given that failure.

25 And it's not a matter of -- you know, they say

1 we're playing gotcha. We're not playing gotcha. There are
2 requirements about what documents and what exhibits you can
3 use at trial, and they are limited to what is identified or
4 produced in the initial disclosures and what is identified
5 or produced in discovery, and this wasn't done with regard
6 to those documents.

7 Let's see. All right. Just one final thing with
8 regard to Mr. Marce. The fact that there are some
9 calculations in the analysis doesn't make it become simply a
10 layperson's testimony. His analysis is the expert analysis.
11 He -- he didn't do something that he does in the regular
12 course of business. Rather, he had to write an original
13 script to use with a source code repository and then arrange
14 it all in categories using his expertise. The Exhibit 14,
15 that whole analysis is the expertise utilized by a software
16 engineer. It is not simply something that he saw in the
17 regular course of his job. He had to create it. And it
18 does -- you know, it implicitly provides an opinion as to,
19 you know, which of the lines are included in the current
20 version, which have been added, which have been deleted.
21 That's expert testimony.

22 Finally, with regard to the so-called effective
23 registration doctrine, all of the cases cited in reference
24 to that predate the 2019 Supreme Court decision *Fourth*
25 *Estate*, which established unequivocally that the issuance of

1 a registration certificate by the copyright office is a
2 prerequisite to suit, so it changed the law.

3 All right. Okay. Your Honor, that's all I have.
4 Thank you.

5 THE COURT: Hang on. Hang on. Mr. Fleming, if
6 you would come back up for one quick question. I'd like you
7 to point out to me in your memorandum where -- I just want
8 to review it again -- you reference the summary judgment
9 briefing or the statement at summary judgment before Judge
10 Wright.

11 MR. HINDERAKER: Your Honor, page 10.

12 THE COURT: Of theirs?

13 MR. HINDERAKER: (Nods head.)

14 THE COURT: Thank you.

15 MR. FLEMING: In page 4 of our brief, we cite, In
16 briefing on these motions, FICO represented it was relying
17 on other registered versions of Blaze, including Version
18 6.7, to support its claims, Docket 398 at 8, 31. They also
19 responded similarly in their interrogatory responses
20 relating to foreign use. Page 3 of our brief.

21 THE COURT: So to my reading, and I'm looking at
22 page 4 of your brief, and I'll go back and look at the
23 underlying dockets, but you state, In its briefing on these
24 motions, FICO represented that it was relying on other
25 registered versions of Blaze, including Version 6.7, to

1 support its claims. Then you have the supplemental
2 cross-motions for summary judgment. And in that briefing,
3 FICO says, as you've represented it, it's defendants'
4 reproduction and distribution of Blaze Version 7.1 that is
5 the only act on which the infringement claim is based.
6 Sounds to me like there just -- one sounds like a subset of
7 the other. The later statement sounds like a subset of a
8 broader statement, perhaps done in response to these
9 questions about the statute of limitations and the predicate
10 act doctrine, but tell me if that's wrong.

11 MR. FLEMING: Well, I think it was stated because
12 they understood that their other claims based on the
13 registered versions were time barred, so they said we're
14 just going to rely on 7.1.

15 THE COURT: Was -- the other versions, did that
16 include 7.2, because that wouldn't have been time barred?
17 And there's a difference, I guess -- I'm sure I'll hear this
18 from Mr. Hinderaker, but I think there's a difference
19 between saying we're only alleging that your use of a
20 specific version is the active infringement. There's a
21 difference between saying that and saying that it's
22 infringement because it is derivative of other versions that
23 are registered. Right?

24 MR. FLEMING: I believe so.

25 THE COURT: Okay. But if -- I think to FICO's

1 point, if you are hearing this for the first time, that they
2 are relying on a single version or the use of a single
3 version, 7.1, if you are hearing that on April 22nd of 2020,
4 why -- and if you think that's a fatal defect, why are we
5 here in January of 2022?

6 MR. FLEMING: Well, for this reason, it was
7 asserted for the first time, we responded, but the issue was
8 then pending before Judge Wright, and she issued an order
9 then on March 23rd, 2021, and she didn't address this issue
10 of the use of an unregistered work as the basis for the
11 lawsuit. And it was just two months after that that we had
12 the discussion with FICO about taking the deposition of
13 Mr. Marce, and then we were trying for months to schedule
14 his deposition. We weren't able to schedule it until
15 November. It wasn't until we took his deposition in
16 November 2021 when they provided the -- the documents, the
17 graphs, and we took his deposition. And we -- as soon as we
18 took his deposition, we noticed this motion.

19 THE COURT: Okay. Understood. Okay. Thank you,
20 Mr. Fleming.

21 Mr. Hinderaker, I can tell that you have something
22 that you are dying to say.

23 MR. HINDERAKER: I am. Because Mr. Fleming
24 opening up that issue, I believe, gives me the opportunity
25 to scratch the itch that's been bothering me for quite a

1 while.

2 THE COURT: Scratch away.

3 MR. HINDERAKER: All right. I just heard -- I
4 just -- if I misheard it, but I think I just heard the
5 statement, registered versions being time barred. The
6 statute of limitations doesn't run from the date you
7 register a copyright. Statute of limitations begins to run
8 when infringement begins.

9 THE COURT: Right. From their use.

10 MR. HINDERAKER: From the use. I think I just
11 heard the statement that we're relying upon an unregistered
12 work as a basis of our lawsuit. And Mr. Fleming referenced
13 a case that changed the law. Well, as we said in our brief,
14 the statute has always required registration as a standing
15 or a subject matter jurisdictional matter and so that's why
16 we have it in the complaint. So that argument, in my
17 judgment, doesn't work.

18 But now let me, if I might, scratch that itch. At
19 the summary judgment stage, FICO's limited its summary
20 judgment to contract claims. In our view, there were
21 disputes of fact regarding copyright claims, and we did not
22 raise any copyright issues in our summary judgment briefing.

23 One of the violations of the license agreement was
24 the distribution of Blaze Advisor to foreign insurance
25 companies, our allegation. And in the detailing out of our

1 grounds, we identified occasions, early occasions when Blaze
2 Advisor Version 6.7 or whatever they were, earlier versions,
3 were take -- were distributed by Chubb U.S. to foreign
4 insurance companies. That is a violation of the license
5 agreement.

6 Federal sees those facts and moves -- has not
7 asserted a statute of limitations defense. Federal sees
8 those facts and moves the Court for an opportunity to amend
9 its answer to assert the statute of limitations defense, and
10 it does. Now FICO is faced with -- now, the motion that
11 Judge Wright ruled upon was the motion directed at Count 2,
12 not 3, just 2, not 1, just 2, copyright infringement claim
13 directing it at Count 2 for statute of limitations.

14 Just as -- so while the unauthorized distribution
15 of Blaze Advisor to foreign insurance companies violated the
16 license agreement, one of the exclusive rights of copyright
17 under Section 106 is the exclusive right to distribute. So
18 Count 2 was based upon the proposition that the distribution
19 of Blaze Advisor to foreign insurance companies violated
20 106(3). Now, why did we do that? We did that because
21 there's a document called the predicate act doctrine that
22 says, if you have a U.S.-based infringement -- Copyright Act
23 only acting within the U.S. -- then that U.S.-based
24 infringement can capture profits of a foreign user. So
25 Judge Wright said, I'm going to let you have a motion. It

1 is limited to statute of limitations and the predicate act
2 doctrine.

3 So when we are faced with that motion, we're
4 looking at, well, what did they do within the three years of
5 the copyright statute of limitations? The six years of the
6 contract that we had for the contract claim, you know,
7 that's twice as long. We've got to be half as short. So we
8 looked at the distributions of 7.1, and they were within the
9 timeframe of the three years of the Copyright Act.

10 So Judge Wright in -- I don't think Judge Wright
11 appreciated that when we brought our summary judgment
12 motion, we were limited to the -- we limited ourselves to
13 the contract claim. But in her statute of limitations
14 ruling, she recognized that those early distributions, those
15 early violations of the contract were outside of the
16 copyright statute of limitations. Can't rely on that.

17 She then looked at the distributions of 7.1, which
18 we were relying upon for the 106(3) claim of copyright, and
19 she said that's in the statute of limitations.

20 So that brought her then to consider the predicate
21 act doctrine. And what we have -- our facts are, from
22 our -- I think -- I don't know if there's a dispute, but the
23 facts are, Blaze Advisor is loaded onto a server in the U.S.
24 of Chubb. And then from that server, Blaze Advisor goes
25 across the Internet and all in the packets and is

1 reassembled into Blaze Advisor software on, let's call it, a
2 UK server. And what we said to her, and I'll say now, is we
3 looked at that and said the predicate act is in the United
4 States of uploading and distributing -- distributing for the
5 purpose of getting it outside the United States. And Judge
6 Wright said, Well, the predicate act doctrine is a predicate
7 act. The predicate act doctrine is not a predicate purpose.
8 And so our argument that it was unauthorized because it was
9 for an improper purpose, she did not agree with.

10 Now, I'll get the circuits mixed up, but there's
11 like the Second Circuit had cases that favored us. The
12 Ninth Circuit had cases that did not favor us or the other
13 way around. But that was a dispute. So -- so then
14 defendants' briefs say, following all of this, it remained
15 unclear how FICO intended to prove that the source code for
16 Blaze Advisor 7.1 is substantially similar to the code of a
17 registered version of the software.

18 THE COURT: What are you quoting?

19 MR. HINDERAKER: Page 10 of the defendants'
20 memorandum. Following the Court's order -- they are
21 referring to the statute of limitations -- it remained
22 unclear how FICO intended to prove that the source code for
23 Blaze Advisor 7.1 is substantially similar to the code of a
24 registered version of the software.

25 Well, my first point is that it's a complete non

1 sequitur. The statute of limitations motion was directed to
2 when did the distributions occur and were those
3 distributions a predicate act.

4 THE COURT: Hang on, Mr. Hinderaker. Are you
5 talking about page 10 of your brief?

6 MR. HINDERAKER: No. I was talking about
7 defendants' -- the defendants' statement at page 10.

8 THE COURT: Okay.

9 MR. HINDERAKER: That's what my notes say. It's
10 on page 10. It's page 6 on their -- paginated page 10 of
11 the court filing.

12 THE COURT: I see, okay.

13 MR. HINDERAKER: Underneath the quote, Following
14 the Court's order.

15 THE COURT: Got it. Okay.

16 MR. HINDERAKER: And so the claims of Count 2 --
17 yeah, the claims of Count 2 are distribution, 106(3).
18 Distribution claims have nothing to do with reproduction,
19 copying. Reproduction, copying is 106(1). So there was a
20 motion to Judge Wright, dealt with Count 2, and dealt with
21 Section 106(3), distribution, and the statute of
22 limitations. Nothing that dealt with Count 3, nothing that
23 dealt with copying or reproduction.

24 And, you know, just as a footnote to all of this,
25 when FICO has been accounting for the gross written premium

1 of the lost profits of the foreign insurance companies, from
2 the first iteration of that report, the -- we only claim
3 three years of gross written premiums, so there was never a
4 notion of trying to get outside of the statute of
5 limitations. So that's FICO's procedural history of this
6 so-called they didn't tell us what we should know story.

7 THE COURT: All right. Tell you what we're going
8 to do. It's 20 minutes to 3:00. Who knew? We're going to
9 take a break until -- let's give Erin until 3:00, and then
10 I'm going to come back and I'm going to rule here today
11 because I think the parties need a ruling here today. So
12 make yourselves comfortable, stay socially distanced and
13 masked, and we'll be back on the record at 3:00 on the
14 Court's clock. Thank you. We're in recess.

15 (Recess taken at 2:39 p.m.)

16 * * * * *

17 (2:57 p.m.)

18 **IN OPEN COURT**

19
20 THE COURT: All right. We're back on the record
21 in the matter of FICO v. Federal, Civil Number 16-1054.

22 I am going to announce my ruling on Docket Number
23 851, which is a motion by Federal to amend the scheduling
24 order such that Federal could then bring a motion to exclude
25 the testimony of the witness Luc Marce and move for summary

1 judgment as a result of that exclusion.

2 I'll have to -- I'll try and make it clear what
3 I'm doing and why. I will permit questions after I get
4 through it, but the argument is over.

5 I'm going to deny the motion. I find there is not
6 good cause to amend the scheduling order. And I'm going to
7 try and explain the reasons for my ruling and the various
8 steps in the analysis. I'm doing it this way rather than
9 get a written ruling out because you have a trial date in
10 April, and, just candidly, doing it any other way is going
11 to be disruptive to the trial schedule.

12 My analysis is going to focus on diligence,
13 obviously, prejudice, and what I'll call futility. So
14 starting with the question of diligence, often that element
15 is looked at as how quickly after the basis for the motion
16 does the moving party move to amend the scheduling order?
17 And as to that aspect of diligence, I find that Federal has
18 been reasonably diligent in filing the motion to amend the
19 scheduling order. For reasons that are not made known to
20 the Court, but I assume are the scheduling of counsels' and
21 witness's convenience, the deposition of Mr. Marce did not
22 occur until November of 2021. The motion was filed
23 reasonably promptly thereafter. And the deposition itself
24 occurred within a reasonable timeframe of the substitution
25 of the witness identity, Mr. Marce from Mr. Jorge, I

1 believe.

2 If -- let me say also if I concluded that FICO
3 were, in fact, trying to sneak a new expert into the case
4 despite its initial disclosures and amendments to those
5 disclosures, this motion would be timely inappropriate and,
6 frankly, I would grant it. But has -- so that's what I'm
7 saying as to diligence, but I don't find that diligence is
8 the heart of the matter. I think the heart of the matter
9 really goes to the question of whether Mr. Marce is
10 presenting expert testimony. And as I indicated, if he
11 were, that testimony is clearly late disclosed and would be
12 excludable. However, I don't find that this is expert
13 testimony. And I think it becomes -- it comes down to this,
14 Mr. Marce is testifying as to the lines of code that are
15 common to both Versions 7.0, 7.1, and 7.2 of the Blaze
16 Advisor software. Those, in this Court's view, are factual
17 issues.

18 Now, the -- Federal argues that this is based on
19 an analysis, and by virtue of being an analysis, it is per
20 se expert testimony. I'm not persuaded by that for a couple
21 of reasons. First of all, there is the general proposition
22 that an expert -- or that someone with expertise is not
23 necessarily precluded from testifying as a lay witness just
24 because they have expertise. More importantly, I think the
25 idea that utilizing a computer program to essentially do the

1 calculations that would be extremely time-consuming and
2 laborious, which is what has happened here, doesn't convert
3 the factual comparison into an expert analysis. I think
4 the -- probably the best analogy is I could do, you know,
5 fairly straightforward, but, nonetheless, lengthy
6 mathematical computations using long division or what have
7 you, or I could use a calculator. And the use of the
8 calculator doesn't turn a factual matter into an expert
9 matter.

10 The question then comes -- comes back to whether
11 Mr. Marce is going to testify or what he can testify to. As
12 I understand it, Mr. Marce will testify to the general
13 process by which one version of Blaze Advisor software is
14 created from the prior version, and he intends to testify as
15 to the -- the figures that have been presented to this Court
16 in the form of Exhibit 14 and Deposition Exhibit 619, I
17 believe it is. That testimony is fact testimony, or
18 testimony by a fact witness. I do not think that Mr. Marce
19 can testify to the conclusion that Blaze Advisor Version 7.1
20 is substantially similar to 7.0 or 7.2. That would, I
21 think, stray into the province of an expert opinion. But
22 that -- and really it will stray into the province of the
23 jury which has to decide whether it's substantially similar
24 or based upon the other versions.

25 Whether or not the document itself is admissible

1 at trial is not for me to say. Judge Wright can decide
2 whether that document is a Rule 1006 chart. She can decide
3 whether it was appropriately disclosed during discovery.
4 She can decide whether, for one reason or another, it is to
5 be excluded. That is up to her obviously, but I don't
6 believe that she would find that the testimony of Mr. Marce
7 would be excludable as expert testimony. And if Mr. Marce's
8 testimony on these factual matters is not to be excluded,
9 there would be, at least as I understand it, no reason to --
10 or no basis for a summary judgment motion.

11 There's also, well, two other pieces of rationale
12 here. First of all, the case law, to my reading, allows the
13 plaintiff to say that the unauthorized copying of Version
14 7.1, the direct copying of Version 7.1, can be an
15 infringement of the two registered versions that are
16 proffered here, 7.0 and 7.2. So those issues are
17 appropriately presented to a jury at trial, and I don't have
18 any basis to say that somehow the Court could find that the
19 copying of Version 7.1 cannot be actionable because 7.1
20 itself is not registered.

21 A lot of the issue in this motion has been whether
22 or not -- and, again, I'm just paraphrasing here -- but
23 whether or not FICO has been aboveboard or compliant with
24 its obligations under Rule 26 and its discovery obligations.
25 I find that the initial disclosures describing the testimony

1 of Mr. Chen, that he would testify to the extent of -- I
2 don't have the actual language right in front of me, but the
3 extent by which one version of the software is the same as
4 another version of the software, discloses, in fact, the
5 subject matter of Mr. Marce's testimony. And that was
6 disclosed within three months, I believe, of the case
7 beginning. It was repeated throughout the initial
8 disclosures when the initial disclosures were updated to
9 change from Mr. Chen to Mr. Jorge. And then from Mr. Jorge
10 to Mr. Marce, those disclosures were reiterated. And FICO
11 did agree to a late deposition of Mr. Marce upon
12 substitution of his identity in the initial disclosures for
13 that of the prior identified witness.

14 So I find that all of that has been disclosed.
15 Now, as to the issue of whether the source code was
16 identified as a source of -- or a document at issue in the
17 case, I find two things. First of all, it seems to this
18 Court self-evident that source code would be a document at
19 issue in the case as it were, but, beyond that,
20 Rule 26(a)(1)(A)(ii) merely requires the disclosure of
21 category of documents and where they are located. And
22 looking at FICO's disclosure, it first identified, it said,
23 here are the following categories of documents, and we'll
24 just tell you that they are in the possession, custody, or
25 control of its attorneys or of FICO itself. And then it

1 lists documents sufficient to show FICO's ownership of its
2 federal copyrights in multiple versions of its FICO Blaze
3 Advisor business rules management software. Certainly, to
4 the lay reader, that may not trigger a subjective awareness
5 of source code, but to lawyers engaged in copyright
6 litigation, that category would, it seems to the Court,
7 naturally include source code. It might also, frankly, be
8 said to reside within the description, documents sufficient
9 to show Chubb & Sons' continued use of FICO Blaze Advisor
10 software following the termination of the agreement. But,
11 regardless, I find that these facts have been adequately
12 disclosed in the initial disclosures, and I am not aware of
13 any manner in which this information was requested in
14 discovery and kept from being discovered.

15 So, with that, the motion is denied. You're going
16 to trial April 6th of 2022. You, of course, have the right
17 to appeal this ruling to Judge Wright. If you do, you'll
18 have to order the transcript because not only have I tried
19 to summarize my rationale, there is an awful lot in the
20 transcript upon which the Court has been informed and has
21 based its ruling.

22 With that, any questions for your side,
23 Mr. Fleming?

24 MR. FLEMING: Your Honor, not about your order.
25 When you are done discussing that, I would like to follow up

1 about information about the trial if there is any.

2 THE COURT: Okay. Hang on one second.

3 Anything, Mr. Hinderaker, about the order?

4 MR. HINDERAKER: No, Your Honor.

5 THE COURT: Okay. I'll just tell you both, I find
6 it really difficult to hear well through the masks, so go
7 ahead and take it off, Mr. Fleming, and you can just sit at
8 counsel table. Make sure your mic is open. And do you
9 think this needs to be -- or should be on the record?

10 MR. FLEMING: I don't.

11 MR. HINDERAKER: No, I don't either.

12 THE COURT: Okay. We can go off the record.

13 Okay. Thank you.

14 (Discussion off the record)

15 (Court adjourned at 3:15 p.m.)

16 * * *

17
18
19 I, Erin D. Drost, certify that the foregoing is a
20 correct transcript from the record of proceedings in the
21 above-entitled matter to the best of my ability.

22
23 Certified by: s/ Erin D. Drost

24 Erin D. Drost, RMR-CRR